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Accounting and Financial
Management Division

B-241937

January 31, 1991

The Honorable William L. Clay
Chairman, Subcommittee on
Labor-Management Relations
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

As you requested in your letter of January 25, 1990, we have obtained information on the Department of Labor Office of Inspector General's allocation of resources for audits and investigations (including criminal and civil investigations) related to each of the Department's program agencies for fiscal years 1988 and 1989.

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Results in Brief

The Office of Inspector General (OIG) carries out audits and investigations relating to the Department of Labor's program agencies, and investigations of alleged racketeering. (See appendix I for actual obligations and full time equivalent employees for each major component of the OIG.) During fiscal years 1988 and 1989, both the Office of Audit and Office of Investigations allocated the greatest portion of their audit and investigative resources to projects involving the Employment and Training Administration and the Employment Standards Administration. Most of the investigations performed by the Office of Investigations involved alleged criminal activity related to Labor programs. (See appendixes II and III for a listing of obligations associated with audits and hours associated with investigations relating to Labor's program agencies, and the related number of criminal and civil actions during fiscal years 1988 and 1989.)

The Office of Labor Racketeering (OLR) classified more than half of the racketeering cases open during fiscal years 1988 and 1989 as involving employee benefit plans. We were informed that all of its cases investigated within the past 2 years involved alleged racketeering or related criminal violations. The Office pursued all of its cases under criminal statutes except for two cases pursued under the civil provisions of the Racketeer Influenced and Corrupt Organizations Act. (See appendix IV for a listing of OLR's open cases, indictments, and convictions for fiscal years 1988 and 1989.)

Background

The Inspector General Act of 1978, as amended, established offices of inspectors general in departments and agencies, including the Department of Labor. The purpose of this statute was to establish an independent and objective unit within each agency to conduct and supervise audits and investigations and recommend policies that promote economy, efficiency, and effectiveness, as well as the prevention and detection of fraud and abuse in programs and operations of their agencies.

The Department of Labor's OIG has three offices which are responsible for conducting audits and investigations. The Office of Audit is responsible for conducting OIG audits and the Office of Investigations and OLR both conduct investigations. (See appendix V for a brief description of the responsibilities of each of these offices.) The funds obligated by the Office of Inspector General were \$42.6 and \$44.9 million, respectively, for fiscal years 1988 and 1989. The number of full time equivalent employees was 512 for fiscal year 1988 and 529 for fiscal year 1989.

Objective, Scope, and Methodology

The objective of our review was to identify the OIG resources allocated for audits and investigations (including criminal and civil investigations) during fiscal years 1988 and 1989. We also identified with respect to the Offices of Audit and Investigations, the agency of the Department of Labor associated with the subject of the audit or investigation and, with respect to OLR, the subject matter of the investigation. To identify the types of audits and investigations performed and the program agencies with which they were associated, we relied on information we obtained through discussions with cognizant officials from OIG offices responsible for audits and investigations. Data on OIG resource allocation for audits and investigations were obtained from OIG systems. We did not verify the accuracy of or independently evaluate the data we obtained from these systems.

Each of the three OIG Offices responsible for audits and investigations uses a separate system for recording the allocation of resources. The Office of Audit measures resource allocation in terms of cost, the Office of Investigations uses hours charged, and OLR uses number of cases.

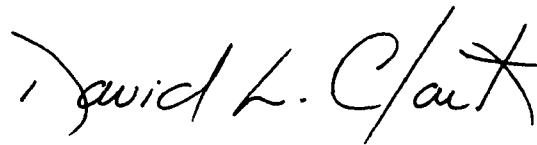
To determine the Office of Audit's use of resources, we requested data showing the direct costs charged to each audit worked on during fiscal years 1988 and 1989, or both. To determine the Office of Investigation's use of resources, we requested data on the hours charged to each case where work was performed during fiscal years 1988 and 1989, or both.

To determine OLR investigative emphasis, we requested data showing the cases that were in open status during fiscal years 1988 and 1989, or both. We were informed that the number of hours special agents charged to each case were posted to their bi-weekly time sheets but were not included in OLR's computer-based case tracking information system. OLR did not accumulate the total number of hours charged to each case, and we did not compile this information. According to OIG officials, OLR is adding this information to its computer-based system.

We discussed the contents of this report with OIG officials and included their comments where appropriate.

We will send copies of this report to interested parties and make copies available to others upon request. Please contact me at (202) 275-9507 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is stylized, with a large, sweeping initial "D" and a cross-like mark at the end of the last name.

David L. Clark
Associate Director, Financial Management
Systems and Audit Oversight

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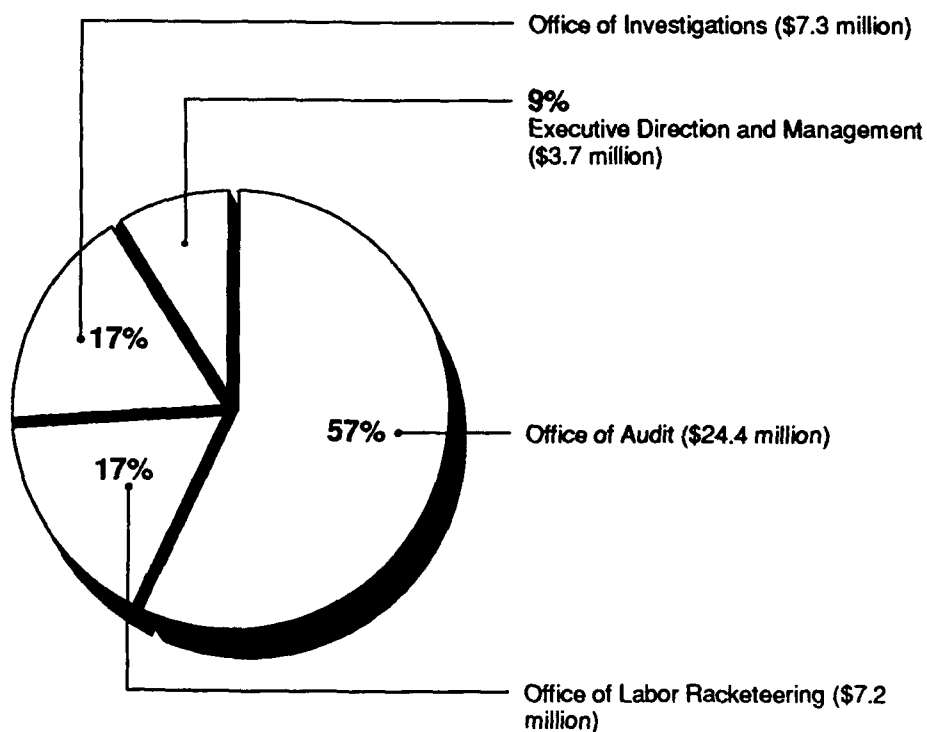
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Abbreviations

CPA	certified public accountant
OIG	Office of Inspector General
OLR	Office of Labor Racketeering

Office of Inspector General Resources

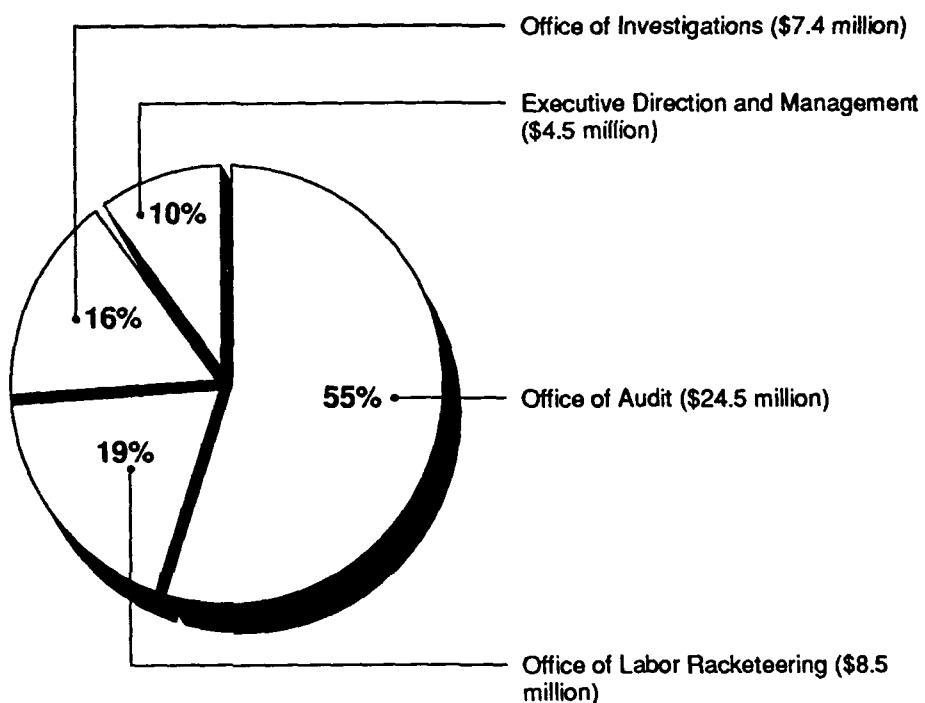
Figure I.1: Actual Obligations for Fiscal Year 1988



Notes: Obligations consist of any order for goods or services using current year appropriated funds regardless of whether such goods or services have been paid for, delivered, or performed. These also include personnel costs.

Executive Direction and Management activity is conducted by the immediate Office of the Inspector General and the Office of Resource Management and Legislative Assessment.

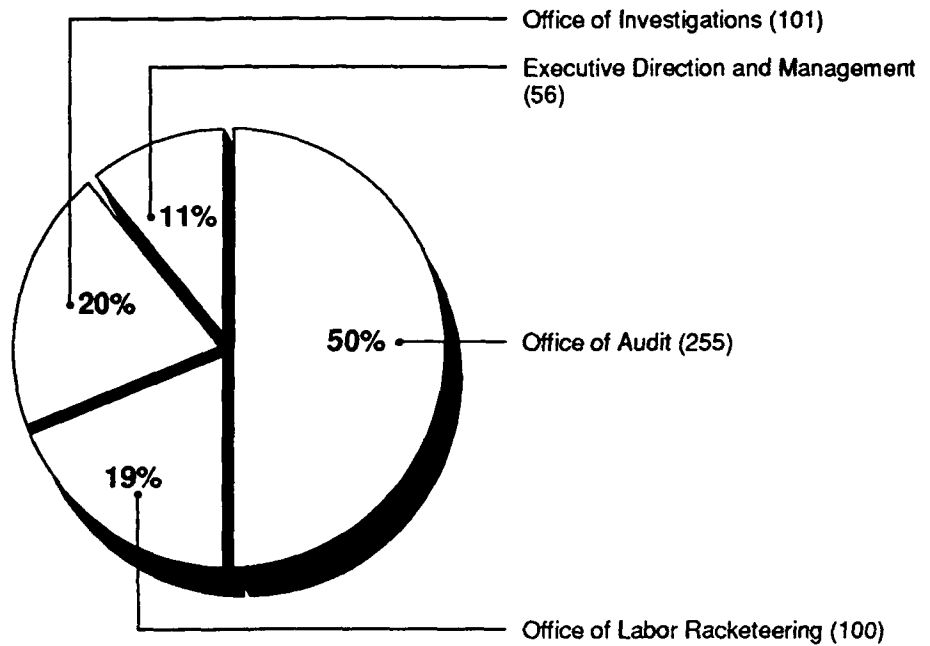
Figure I.2: Actual Obligations for Fiscal
Year 1989



Notes: Obligations consist of any order for goods or services using current year appropriated funds regardless of whether such goods or services have been paid for, delivered, or performed. These also include personnel costs

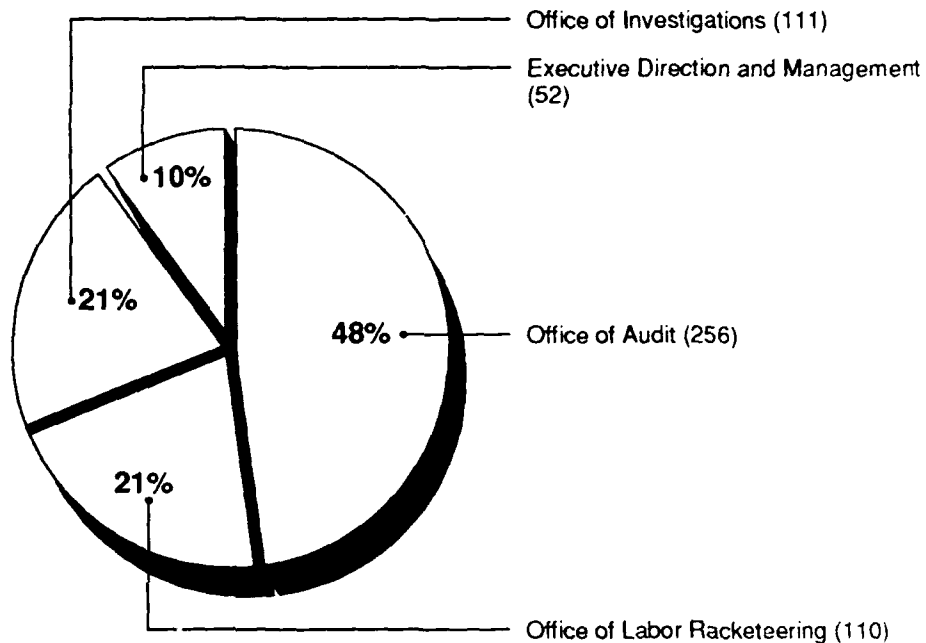
Executive Direction and Management activity is conducted by the immediate Office of the Inspector General and the Office of Resource Management and Legislative Assessment

Figure I.3: Actual Full Time Equivalent
Employees for Fiscal Year 1988



Note: Executive Direction and Management activity is conducted by the immediate Office of the Inspector General and the Office of Resource Management and Legislative Assessment

Figure I.4: Actual Full Time Equivalent
Employees for Fiscal Year 1989



Note: Executive Direction and Management activity is conducted by the immediate Office of the Inspector General and the Office of Resource Management and Legislative Assessment.

Office of Audit Summaries

Table II.1: Office of Audit Project Cost Summary for Fiscal Year 1988

Agency	Office of Audit direct costs	CPA direct costs^a	Total costs^b
Employment and Training Administration	\$3,036,899	\$4,353,155	\$7,390,054
Employment Standards Administration	1,889,693	1,010,776	2,900,469
Office of Assistant Secretary for Administration and Management	869,428	1,910,444	2,779,872
Pension and Welfare Benefits Administration	194,999	679,672	874,671
Occupational Safety and Health Administration	650,875	55,975	706,850
Veterans Employment Training Services	115,782	197,431	313,213
Mine Safety and Health Administration	275,060	14,458	289,518
Multi-agency ^c	223,451	0	223,451
Office of Inspector General	15,259	197,224	212,483
Office of the Solicitor	119,921	0	119,921
Office of the Secretary Administrative Management	29,782	0	29,782
Other	19,336	0	19,336
Bureau of Labor Statistics	6,455	0	6,455
Total	\$7,446,940	\$8,419,135	\$15,866,075

^aThe OIG contracts with certified public accountants (CPAs) to supplement the work performed by OIG auditors.

^bThese amounts represent the direct dollars obligated for Office of Audit work during fiscal year 1988. These dollar amounts do not include managerial and administrative costs associated with all projects.

^cMore than one Department of Labor agency.

**Appendix II
Office of Audit Summaries**

Table II.2: Office of Audit Project Cost Summary for Fiscal Year 1989

Agency	Office of Audit direct costs	CPA direct costs^a	Total costs^b
Employment and Training Administration	\$2,899,567	\$2,548,370	\$5,447,937
Employment Standards Administration	1,324,313	812,360	2,136,673
Multi-agency ^c	1,812,689	271,614	2,084,303
Office of Assistant Secretary for Administration and Management	413,609	1,337,435	1,751,044
Pension and Welfare Benefits Administration	262,745	627,454	890,199
Occupational Safety and Health Administration	289,555	294,519	584,074
Office of the Secretary Administrative Management	160,631	117,862	278,493
Mine Safety and Health Administration	177,957	88,936	266,893
Bureau of Labor Statistics	30,716	205,548	236,264
Office of Inspector General	86,232	139,998	226,230
Other	10,984	72,790	83,774
Office of the Solicitor	55,120	0	55,120
Veterans Employment Training Services	14,834	10,620	25,454
Total	\$7,538,952	\$6,527,506	\$14,066,458

^aThe OIG contracts with outside CPAs to supplement the work performed by OIG auditors

^bThese amounts represent the direct dollars obligated for Office of Audit work during fiscal year 1989. These dollar amounts do not include managerial and administrative costs associated with all projects.

^cMore than one Department of Labor agency

Office of Investigations Summaries

**Table III.1: Office of Investigations
Investigative Case Hour Summary for
Fiscal Years 1988 and 1989**

Agency	Fiscal year	
	1988 ^a	1989 ^a
Employment and Training Administration	42,600	40,270
Employment Standards Administration	30,814	36,857
Office of the Secretary Administrative Management	5,611	4,317
Occupational Safety and Health Administration	1,485	2,961
Pension and Welfare Benefits Administration	2,876	2,544
Mine Safety and Health Administration	2,513	2,061
Multi-agency ^b	801	2,022
Office of Inspector General	1,388	1,253
Office of Assistant Secretary for Administration and Management	296	676
Office of Labor Management Standards	475	318
Veterans Employment Training Services	249	304
Office of the Solicitor	3	258
Bureau of Internal Labor Affairs	2	81
Assistant Secretary for Policy	0	62
Bureau of Labor Statistics	37	14
Total	89,150	93,998

^aEach value represents the number of investigative hours posted by the Office of Investigations to cases related to that program agency during the fiscal year

^bMore than one Department of Labor agency.

**Table III.2: Office of Investigations
Actions for Fiscal Years 1988 and 1989
(By number of defendants)**

Action ^a	Fiscal year	
	1988	1989
Indictments	996	735
Convictions	735	720
Administrative referrals	103	125
Civil actions	8	3

^aThe Office of Investigations includes the following items in these four categories:
indictments: arrests, true bills of information, and grand jury indictments by federal, state, or local authorities.

convictions: successful prosecutions where the government obtained convictions, guilty pleas, settlements, pre-trial diversions, or judgments in its favor.

administrative referrals: referral of facts to an administrative agency for its information and action as the agency deems appropriate, and

civil actions: successful prosecutions where the government obtained decisions in its favor.

Office of Labor Racketeering Summaries

Table IV.1: Office of Labor Racketeering Case Summary for Fiscal Years 1988 and 1989 (By number of open cases)

Category	Fiscal Year	
	1988	1989
Employee Benefit Plans	145	172
Labor Management Relations	60	73
Internal Union Affairs	41	56
Other	11	17
Total	257	318

Note: These are cases which were classified as open, for each category, during the 2 fiscal years

Table IV.2: Office of Labor Racketeering Indictments for Fiscal Years 1988 and 1989 (By number of defendants)

Category	Fiscal year	
	1988	1989
Employee Benefit Plans	72	37
Internal Union Affairs	23	16
Labor Management Relations	13	2
Other	44	21
Total	152	76

Note: These are indictments returned by grand juries and informations filed in district courts

Table IV.3: Office of Labor Racketeering Convictions for Fiscal Years 1988 and 1989 (By number of defendants)

Category	Fiscal year	
	1988	1989
Employee Benefit Plans	45	32
Internal Union Affairs	4	12
Labor Management Relations	22	4
Other	49	29
Total	120	77

Note: Convictions are a result of investigations and subsequent indictments obtained prior to or during fiscal years 1988 and 1989. Convictions are pleas by defendants to criminal charges or verdicts of guilty returned by juries or by a presiding judge over a criminal trial

Description of Department of Labor Office of Inspector General Offices Responsible for Performing Audits and Investigations

Office of Audit

The OIG Office of Audit is responsible for reviewing the fiscal and programmatic integrity and efficiency of Department activities. Audits are performed to evaluate compliance with applicable laws and regulations, to review use of resources for economy and efficiency, and to determine whether desired program results are effectively achieved.

Office of Investigations

Investigations are usually conducted as a result of allegations or suspicions of criminal activity or misconduct. Areas of investigation include employee misconduct, fraud schemes involving Department programs, and improper use of government funds.

Office of Labor Racketeering

This office identifies, investigates, and establishes evidence for prosecution of racketeering activity in employee benefit plans, labor-management relations, and internal union affairs. Areas of investigation include embezzlement of union or employee benefit funds, kickbacks to benefit plan officials, illegal payments from management to labor officials, and extortion.

Major Contributors to This Report

Accounting and
Financial Management
Division, Washington,
D.C.

Margaret H. Harris, Assistant Director, (202) 275-8705
Stephen Farnsworth, Evaluator-in-Charge
Karen Kliegman, Accountant